AORTECH INTERNATIONAL PLC

INTERIM REPORT 2011

For the six months ended 30 September 2011

AorTech International Plc (AIM: AOR) the biomaterials and medical device development company, today announces its unaudited interim results for the six months ended 30 September 2011.

CHAIRMAN'S STATEMENT

The past six months have seen considerable change in the AorTech business principally due to the relocation of our manufacturing facility from Australia to the Minneapolis St Paul area of Minnesota ('MN'). As announced earlier this year, this move was facilitated by a restructuring of an existing licence which will generate $4.2 million in revenues this financial year and also includes the sale of heavily depreciated fixed assets to the licensee for a sum of $300k. The Group has received $2.2 million of these licence fees during the six month period to 30 September 2011 with the balance of $2 million due to be paid during the six month period to 31 March 2012.

Financial Results

As announced at the year end, we are now reporting our results in US $ and, as a result, all historical numbers have been restated in the new reporting currency.

During the six month period, Group revenue rose to $2.64 million from the $1.03 million recorded during the corresponding period of the previous Financial Year. Operating expenses for the half-year decreased by 4% to $2,65m; this included $818,000 of development expenditure (H1 2010: $1,057,000) and $149,000 amortisation of intangible assets (H1 2010: $175,000). As a result of revenues increasing from the restructured license deal, it is pleasing that the Group has produced a pre-tax profit of $626,000 before exceptional items compared to a loss of $1,619,000 last year. The profit after exceptional costs of $464,000 and finance income received of $122,000 was $284,000. Period end cash balances stood at $2,258,000 at 30 September 2011.

Operations Update

Your Board believes that it would be helpful to shareholders to provide an update on the development of your Company over recent times and I set out below a summary of the status of AorTech's major projects.

Co- Development Project - $32 million

In July 2007, we announced a licensing and supply agreement for the evaluation of Elast-Eon™ by a global device company. This agreement allowed the licensee to acquire certain AorTech intellectual property rights and encompassed potential milestone payments of up to $32 million. The Agreement between AorTech and the licensee has recently been terminated by mutual consent with AorTech re-acquiring all of its Patents and it's Intellectual Property at the end of the notice period on 1 March 2012. Your Board believes that it is in the long term interests of the Company and its shareholders to take ownership of this Intellectual Property which is one of the key drivers to creating shareholder value. Later in this report I will explain the Group's strategy to benefit fully from the value of AorTech's Intellectual Property.

St Jude Medical - Pacing Leads
Shareholders may well be aware of the success St Jude Medical ('SJM') is achieving in the Cardiac Rhythm Management market by having converted the insulation of all of their pacing products to Elast-Eon™ (re-branded by St Jude as Optim™). A recent Credit Suisse note on SJM (8 November 2011) increased the target valuation of St Jude by $1.6 billion due to the success of the durability performance of Optim™ insulated leads. We view this development as very positive as it demonstrates to not only the medical device industry but also the financial markets the value that can be added to a medical device by utilising AorTech's Elast-Eon™ material, and this provides a significant marketing opportunity for us.

The validation of the performance of Elast-Eon™ in the lead application, as is the case in many long-term, life-sustaining implants, required several years and a large number of implants. To date, AorTech has not been informed of any Elast-Eon™ related failures in lead (or any other) products.

AorTech is capitalising on this highly-publicised success with its polymers by focusing on expansion in the related areas of headers (the part of the pacemaker or neurostimulation device into which the lead is inserted) and the insulation of neurostimulation leads. A number of evaluations are currently underway in both of these application areas.

Applications for our Technology

The development of medical devices can be a lengthy process with our licensees having to design products incorporating our material, undergo testing on these devices and then bring those products to market. We receive revenues from a combination of material supply sales, licence fees and in some cases royalty payments. We anticipate the revenues from our existing deals to increase during the next few years. However the future cash generation of the Group and its future profitability will also depend upon generating further new business. With a number of evaluation projects currently underway we hope some of these will mature into revenue-generating accounts.

Elast-Eon™ material is currently being evaluated and tested in areas including long term indwelling catheters, coronary artery grafts, AV fistula, pacemaker headers and neurovascular implants. The use of Elast-Eon™ has expanded beyond the applications for which it was originally developed. These original applications were typically ones where very high biostability and fatigue resistance were required.

Drug elution is one of the newer applications. This programme required the formulation of a proprietary polymer capable of eluting a combination of the licensee's drugs at a specific rate. This drug/Elast-Eon™ dispersion must also demonstrate an adequate bond to the licensee's catheter. Both of these criteria have now been successfully demonstrated in pre-clinical testing.

Another area holding promise for the expansion of applications for the Elast-Eon™ and ECSil™ polymers is in the area of devices requiring specific gas and water vapour transmission rates. One large high volume licence - in the field of sensors - emerging from this work was recently announced. The Breast Implant agreement also depends in part upon these properties. Other customer projects requiring implantable or blood contacting polymers with these specific properties are currently active.

Relocation to Rogers MN.

The relocation of AorTech's production facility from Melbourne, Australia to Rogers, MN is progressing satisfactorily. This move, as previously mentioned, was facilitated by a restructuring of existing licence agreements and the sale of certain fixed assets. The facility now employs 15 staff, all of whom are experienced

in either the medical devices sector or polymer manufacturing. AorTech will continue to work to keep its perfect on time delivery and quality record intact.

Strategy for Creating Value

Our move to North America is of strategic importance as it has placed the Group's operations at the heart of the medical device industry and has opened many opportunities to increase the penetration of our materials into the medical device industries.

The short term focus of our executive team is to actively pursue the opportunities available to us to increase the revenue potential of the business.

As mentioned above, we will be re-acquiring the rights to one of our device Patents and IP. This Intellectual Property relates to AorTech's potentially high value product the Elast-Eon™ Tri-Leaflet Heart Valve.

Our polymer valves have undergone rigorous testing over the years and have demonstrated strong durability, efficient fluid dynamics and regurgitation, and have been free of thrombosis.

We are currently evaluating options for future development of our heart valve Intellectual Property with a view to capitalising on this for our shareholders.

Developing the heart valves ourselves would require a substantial sum of capital and we will consider how best to secure the potential with the creation of shareholder value in mind. There are a number of options to explore including licensing, forming a joint venture development company and raising capital through a special purpose vehicle set up for the project. The US market has provided capital to a number of early stage heart valve companies and our move to the US has increased the options available to us.

The Board therefore believes that the Company has the potential to develop into a strong materials and components business, and the executive management will continue to pursue these goals on behalf of the Company.

We recognise that in generating shareholder value over the medium term will require a change in the scale of our business and customer base, which our move to America is an important step in achieving. We also recognise that a simple valuation of the Company based purely on discounted cash flow valuation of future revenue streams does not necessarily reflect the true value of our IP. The recent broker's note on St Jude and the impact it has had on the valuation of that company as a result of the benefits of our material has demonstrated the value of our Intellectual Property in one application alone. In addition, our heart valve technology is well positioned, particularly in the field of trans-catheter delivery mechanisms and as a cost-effective solution for developing markets. In other areas, our portfolio includes a number of patents for both material manufacture and device design and is the core platform on which we will generate value for our shareholders.

The Board recognises that the Group's intellectual property portfolio and its applications will be of increasing interest to a number of other medical companies.

I would like to take the opportunity to thank our dedicated staff for their skill and energy which enabled the successful transfer of our research, development and manufacturing from Melbourne to Rogers, MN.

Jon Pither
Chairman

-Ends-

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About AorTech: AorTech develops and manufactures biostable, implantable polymers, including Elast-Eon™ and ECSil™, the world's leading long-term implantable co-polymers, as well as proprietary processing methods for various devices, including small part RIM manufacturing. With more than 3 million implants and five years of successful clinical use, AorTech polymers are in use or have been selected for cardiology, urological and applications, including pacing leads, cardiac cannulae and bilary stents. Devices manufactured from AorTech polymers have numerous US FDA PMA approvals, 510k's, CE Marks, Australian TGA and Japanese Ministry of Health approvals.

Elast-Eon™ and ECSil's™ biostability is comparable to silicone while exhibiting excellent mechanical, blood contacting and flex-fatigue properties. Our polymers can be processed using conventional thermoplastic extrusion and molding techniques. AorTech provides a range of materials in a variety of application-specific formulations for use in medical devices and components.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Six months ended 30 September 2011

(Unaudited)	**Six months to 30 Sept 2011 US$000**	Restated Six months to 30 Sept 2010 US$000	Restated Twelve months to 31 March 2011 US$000
Revenue	**2,638**	1,028	2,440
Other income - grants received	**641**	122	510
Cost of sales	**(232)**	(255)	(555)
Administrative expenses	**(1,454)**	(1,282)	(3,399)
Other expenses - development expenditure	**(818)**	(1,057)	(2,071)
Other expenses - impairment of property, plant and equipment	**-**	-	(708)
Other expenses - amortisation of intangible assets	**(149)**	(175)	(236)
Operating profit / (loss) before exceptional item	**626**	(1,619)	(4,019)
Exceptional item:			
Cost of transfer of operations to USA	**(464)**	-	-
Operating profit / (loss) after exceptional item	**162**	(1,619)	(4,019)
Finance income	**122**	73	132
Profit / (loss) before taxation	**284**	(1,546)	(3,887)
Taxation	**-**	-	-
Profit / (loss) attributable to equity holders of the parent company	**284**	(1,546)	(3,887)
Earnings / (loss) per share (basic and diluted) – US cents	**5.88**	(31.99)	(80.43)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Six months to 30 Sept 2011 US$000	Restated Six months to 30 Sept 2010 US$000	Restated Twelve months to 31 March 2011 US$000
Profit / (loss) for the period	**284**	(1,546)	(3,887)
Other comprehensive income:			
Exchange differences on translating foreign operations	**(234)**	387	734
Income tax relating to other comprehensive income	**-**	-	-
Other comprehensive income for the period, net of tax	**(234)**	387	734
Total comprehensive income for the period, attributable to equity holders of the parent	**50**	(1,159)	(3,153)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(Unaudited)	**30 Sept 2011 US$000**	Restated 30 Sept 2010 US$000	Restated 31 March 2011 US$000
Assets			
Non current assets			
Property, plant and equipment	**500**	1,068	346
Intangible assets	**1,920**	2,173	2,188
Total non current assets	**2,420**	3,241	2,534
Current assets			
Inventories	**262**	192	234
Trade and other receivables	**889**	976	1,081
Cash and cash equivalents	**2,258**	3,557	2,214
Total current assets	**3,409**	4,725	3,529
Total assets	**5,829**	7,966	6,063
Liabilities			
Current liabilities			
Trade and other payables	**(774)**	(967)	(1,058)
Total liabilities	**(774)**	(967)	(1,058)
Net assets	**5,055**	6,999	5,005
Equity			
Issued capital	**18,825**	19,175	19,370
Share premium	**3,646**	3,714	3,751
Other reserve	**(3,121)**	(3,179)	(3,211)
Foreign exchange reserve	**5,067**	4,594	4,741
Profit and loss account	**(19,362)**	(17,305)	(19,646)
Equity shareholders' funds	**5,055**	6,999	5,005

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(Unaudited)	**Six months to 30 Sept 2011 US$000**	Restated Six months to 30 Sept 2010 US$000	Restated Twelve months to 31 March 2011 US$000
Cash flows from operating activities			
Group profit / (loss) after tax	**284**	(1,546)	(3,887)
Adjustments for:			
Depreciation of property, plant and equipment	**40**	154	351
Impairment of property, plant and equipment	**-**	-	707
Amortisation of intangible assets	**149**	175	236
Loss on disposal of property, plant and equipment	**24**	-	-
Interest income	**(122)**	(73)	(132)
Deferred income released	**-**	(64)	-
Decrease in trade and other receivables	**192**	372	287
(Increase)/decrease in inventories	**(28)**	44	6
(Decrease)/increase in trade payables	**(284)**	(21)	57
Net cash flow from operating activities	**255**	(959)	(2,375)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(500)**	(73)	(205)
Proceeds from disposal of property, plant and equipment	**309**	-	-
Interest received	**122**	73	132
Net cash flow from investing activities	**(69)**	-	(73)
Net cash flow from financing activities	**-**	-	-
Net increase/(decrease) in cash and cash equivalents	**186**	(959)	(2,448)
Foreign exchange movements	**(142)**	168	314
Cash and cash equivalents at beginning of period	**2,214**	4,348	4,348
Cash and cash equivalents at end of period	**2,258**	3,557	2,214

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Share capital US$000	Share premium account US$000	Other reserve US$000	Foreign exchange reserve US$000	Profit and loss account US$000	Total equity US$000
Balance at 1 April 2010	**18,210**	**3,527**	**(3,019)**	**5,199**	**(15,759)**	**8,158**
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(1,546)	(1,546)
Other comprehensive income						
Exchange difference on translating foreign operations	965	187	(160)	(605)	-	387
Total comprehensive income for the period	965	187	(160)	(605)	(1,546)	(1,159)
Balance at 30 September 2010	**19,175**	**3,714**	**(3,179)**	**4,594**	**(17,305)**	**6,999**
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(2,341)	(2,341)
Other comprehensive income						
Exchange difference on translating foreign operations	195	37	(32)	147	-	347
Total comprehensive income for the period	195	37	(32)	147	(2,341)	(1,994)
Balance at 31 March 2011	**19,370**	**3,751**	**(3,211)**	**4,741**	**(19,646)**	**5,005**
Transactions with owners	-	-	-	-	-	-
Profit for the period	-	-	-	-	284	284
Other comprehensive income						
Exchange difference on translating foreign operations	(545)	(105)	90	326	-	(234)
Total comprehensive income for the period	(545)	(105)	90	326	284	50
Balance at 30 September 2011	**18,825**	**3,646**	**(3,121)**	**5,067**	**(19,362)**	**5,055**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements are for the six months ended 30 September 2011, and have been prepared with regard to the requirements of IAS 34 on "Interim Financial Reporting". They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2011.

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and effective at 31 March 2011. They were approved for issue by the Board of Directors on 13 December 2011.

The financial information for the six months ended 30 September 2011 and the comparative figures for the six months ended 30 September 2010 are unaudited and have been prepared on the basis of the accounting policies set out in the consolidated financial statements of the Group for the year ended 31 March 2011 except for the policy with regard to the presentation currency of the Group financial statements.

The Board have made the decision that it is in the best interests of shareholders that the financial statements are presented in US Dollars and as a result these interim financial statements have been presented in this currency with comparative periods restated according to the requirements of IAS 8 ‘Accounting policies, changes in accounting estimates and errors‘.

These extracts do not constitute statutory accounts under section 434 of the Companies Act 2006. The financial statements for the year ended 31 March 2011, prepared under IFRS, received an unqualified audit report, did not contain statements under sections 498(2) and 498(3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

Earnings / (loss) per share has been calculated on the basis of the result for the period after tax, divided by the weighted average number of ordinary shares in issue in the period of 4,832,778. The comparatives are calculated by reference to the weighted average number of ordinary shares in issue which were 4,832,778 for the period to 30 September 2010 and 4,832,778 for the year ended 31 March 2011.

2. SEGMENTAL REPORTING

The principal activity of the AorTech International Plc Group currently is the development and exploitation of a range of innovative biomaterials.

All revenue during the first six months of financial year 2011/12 originated in Australia.

(Unaudited)

	Six months to 30 Sept 2011	Restated Six months to 30 Sept 2010	Restated Twelve months to 31 March 2011
	US$000	US$000	US$000
Analysis of revenue by destination			
Geographical segments			
United Kingdom	**6**	5	6
Australia	**-**	-	2
United States of America	**2,632**	1,023	2,432
	2,638	1,028	2,440
Analysis of result - operating profit / (loss)			
Geographical segments			
United Kingdom	**(448)**	(312)	(633)
Australia	**1,713**	(921)	(2,605)
United States of America	**(639)**	(386)	(781)
Operating profit / (loss) before exceptional item	**626**	(1,619)	(4,019)
Exceptional item:			
Cost of transfer of operations to USA	**(464)**	-	-
Operating profit / (loss) after exceptional item	**162**	(1,619)	(4,019)

3. INTANGIBLE ASSETS

The following table shows the impact of exchange rate adjustments and amortisation on intangible assets.

(unaudited)	**Intellectual property**
	US$000
At 1 April 2010	2,146
Exchange rate adjustment	202
Amortisation	(175)
At 30 September 2010	2,173
Exchange rate adjustment	76
Amortisation	(61)
At 1 April 2011	2,188
Exchange rate adjustment	(119)
Amortisation	(149)
At 30 September 2011	1,920

Corporate information and advisors

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Registered in Scotland, Company No.170071

Interim results will be circulated to Shareholders and copies of the announcement will be made available from the Company's registered office. Dealings permitted on Alternative Investment Market (AIM) of the London Stock Exchange.